

Message Text

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ACTION EUR-12

INFO OCT-01 IO-13 ISO-00 AID-05 CIAE-00 COME-00 EB-07
FRB-01 INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04
OPIC-06 SP-02 LAB-04 EPG-02 SIL-01 OMB-01 ABF-01
AGRE-00 NSC-05 SS-15 STR-04 CEA-01 PA-02 PRS-01
/110 W

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R 041315Z MAY 77
FM AMEMBASSY BERN
TO SECSTATE WASHDC 4292
INFO AMEMBASSY BONN
USMISSION EC BRUSSELS
USMISSION GENEVA
USDEL MTN GENEVA
AMEMBASSY LONDON
AMEMBASSY PARIS
USMISSION OECD PARIS
AMEMBASSY ROME
AMCONSUL ZURICH

UNCLAS BERN 1933

PASS TREASURY AND FRB

EO 11652: N/A
TAGS: EFIN, SZ
SUBJ: SWISS FINANCIAL REPORT: WEEK APRIL 24-30

REF: BERN 1862 AND 1826

1. SUMMARY: WEEK WAS DOMINATED BY IMPACT OF DEVELOPMENTS RELATED
TO HEAVY LOSSES BY CREDIT SUISSE CHIASSO BRANCH FROM ALLEGED
ILLEGAL ACTIVITIES OF BRANCH OFFICERS (REFTELS). FOREIGN
EXCHANGE AND CAPITAL MARKETS BECAME NERVOUS WHEN SWISS
NATIONAL BANK AND TWO OTHER BIG BANKS OFFERED SF 3 BILLION
STANDY CREDIT IF CREDIT SUISSE ENCOUNTERED LIQUIDITY
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PROBLEMS. SWISS FRANC CAME UNDER BRIEF BUT STRONG
PRESSURE AND BANK SHARES WERE SUBJECT TO PANIC SELLING.
GOLD PRICE FELL TO 147. PARLIAMENT WILL DEBATE
CHIASSO AFFAIR DURING MAY SESSION. SECOND QUARTER
CAPITAL MARKET BORROWINGS ARE EXPECTED TO BE LOWER
THAN THOSE OF FIRST QUARTER. SNB PRESIDENT SAID
THAT OFFICIAL FINANCING OF BALANCE OF PAYMENTS

DEFICITS IS DESIRABLE. SNB APRIL BALANCE SHEET
REFLECTS MORE RESTRICTIVE MONETARY POLICY.

2. FOREIGN EXCHANGE AND GOLD: FOREIGN EXCHANGE
MARKET WAS NERVOUS FOR THREE DAYS AT MID-WEEK.
DOLLAR ATE AGAINST SWISS FRANC ROSE TO SF 2.53
TUESDAY BUT CLOSED AT SF 2.51. FORWARD DISCOUNT
RATES REMAINED LOW DESPITE BANKS' MONTH-END
DEMAND FOR FRANCS. GOLD PRICE FELL TO 145 AT MID-
WEEK BUT CLOSED AT 147. DEALERS SAID CHIASSO
AFFAIR CAUSED BANKS TO SEEK GREATER LIQUIDITY
WHILE GOLD SALES IN US ALSO ADDED TO AMOUNTS
OFFERED. DEALERS EXPECT SLIGHT PRICE INCREASE
IN MAY. RATES FOLLOW:

ITEM - 4/25 (OPEN) - 4/29 (CLOSE)
SPOT DOLLAR - 2.5170 - 2.5125
FORWARD DISCOUNTS (PERCENT P.A.)
ONE MONTH - 2.29 - 1.77
2 MONTHS - 2.58 - 1.79
3 MONTHS - 2.51 - 2.02
6 MONTHS - 2.27 - 1.93
12 MONTHS - 2.58 - 2.41
SF/DM - 106.25 - 106.68
GOLD - 149.5 - 147

3. CAPITAL AND MONEY MARKETS: STOCK MARKET WAS
TURBULENT. PRICE OF CREDIT SUISSE BEARER SHARES
FELL 18.9 PERCENT COMPARED TO PREVIOUS WEEK AND
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NOMINAL SHARES DROPPED 10.6 PERCENT. SHARES OF OTHER
BIG BANKS FELL 2 TO 4 PERCENT; ONLY SWISS BANK CORP
NOMINAL SHARES HAD NO CHANGE. INSURANCE AND FINANCIAL
COMPANIES' SHARES HAD MIXED PERFORMANCE BUT PRICES
OF INDUSTRIAL SHARES ROSE. SKA INDEX (1959 EQUALS 100)
SLIPPED TO 227.2. CALL MONEY ROSE TO 3.5 PERCENT.
AVERAGE YIELD CONFEDERATION BONDS REMAINED 3.93
PERCENT. SECOND AURTER 1977 CAPITAL MARKET BORROW-
INGS WILL BE SF 3,644 MILLION, DOWN FROM SF 3,740
MILLION IN FIRST QUARTER, INCLUDING SF 1,122 MILLION DOMESTIC
LOANS COMPARED TO SF 1,822 MILLION IN FIRST QUARTER
1977.

4. CHIASSO AFFAIR: PRESS REPORTED UNION BANK OF
SWITZ OFFICIAL SAID VALUE OF CREDIT SUISSE
CHIASSO ASSETS INVESTED IN ITALY THROUGH TEXON,
LIECHTENSTEIN ARE OVER-ESTIMATED AND LOSSES WOULD
BE TWO OR THREE TIMES STATED SF 250 MILLION.
LIECHTENSTEIN AUTHORITIES REPORTEDLY HAVE BEGUN

INVESTIGATION INTO TEXON ACTIVITIES AND OFFERED SWISS JUDICIAL ASSISTANCE. FEDERAL COUNCILOR CHEVALLAZ URGED SWISS "TO MAINTAIN SANGROID UNTIL RESULTS OF FINANCIAL AND LEGAL INVESTIGATIONS ARE IN". SPECIAL MAY SESSION OF PARLIAMENT, TO DEBATE CHIASSO AFFAIR. SOCIALISTS CALLED FOR BANKING SYSTEM REFORM AND SAID THAT STATE MUST INTERVENE TO PROTECT INVESTORS. OTHER MAJOR PARTIES SAID THEY SEEK TO CLARIFY MATTER FOR PUBLIC. SWISS BANKERS' ASSOC JOINED SNB PRESIDENT LEUTWILER IN CALLING FOR MORE EFFECTIVE INTERNAL, EXTERNAL AND BANKING COMMISSION CONTROL. LEUTWILER SAID STRICTER BANK LAWS WOULD BE INEFFECTIVE AGAINST CERTAIN CORRUPT PRACTICES.

5. SNB VIEWS: SNB PRESIDENT LEUTWILER TOLD ANNUAL GENERAL ASSEMBLY MEETING THAT SNB WOULD GRADUALLY UNCLASSIFIED

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ADOPT MORE RESTRICTIVE MONETARY POLICY TO ADJUST MONETARY BASE TO MEET FOREIGN EXCHANGE AND DOMESTIC ECONOMIC DEVELOPMENTS. LEUTWILER SAID BANK SECRECY IS NOT IN QUESTION BUT CERTAIN ASPECTS OF ITS DEVELOPMENT ARE. SNB WILL RECOMMEND MEASURES THAT WOULD PRESERVE SECRECY PRINCIPLES BUT IMPROVE SWISS FINANCIAL CENTER IMAGE. LEUTWILER SAID IT WOULD BE BETTER FOR WORLD ECONOMIC RECOVERY TO STRENGTHEN DEFICIT COUNTRIES AND REESTABLISH DISCIPLINE RATHER THAN EXHORT SURPLUS COUNTRIES TO RUN DEFICITS. HE SAID GREATER OFFICIAL ROLE IN FINANCING BALANCE OF PAYMENTS DEFICITS IS DESIRABLE, EITHER DIRECTLY OR THROUGH INTERNATIONAL INSTITUTIONS, PROVIDING DEFICIT COUNTRIES ADOPT NECESSARY INTERNAL MEASURES.

6. SWISS NATIONAL BANK BALANCE SHEET: SNB END APRIL BALANCE SHEET TOTAL WAS DOWN 9.4 PERCENT FROM MARCH, REFLECTING MORE RESTRICTIVE SNB MONETARY POLICY. ACCORDING TO SNB, SIGNIFICANT FEATURE IS THAT NOTES IN CIRCULATION INCREASED 6.6 PERCENT WHILE BALANCE SHEET TOTAL ROSE ONLY 1.5 PERCENT COMPARED TO END APRIL 1976.

ITEM - APRIL 29 (CHANGE FROM MARCH 31)
(MILLIONS OF SWISS FRANCS)

ASSETS

GOLD - 11,904 - NIL - NIL
FOREIGN EXCHANGE - 12,481 - DOWN - 3,251

ROOSA BONDS - 4,844 - DOWN - 92
DISCOUNTED PAPER - 1,192 - DOWN - 215
LOMBARD LOANS - 447- UP - 277
OTHER - 900 - DOWN - 29

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LIABILITIES

NOTES IN CIRCULATION - 18,926 - UP - 266
GIRO ACCOUNTS - 6,951 - DOWN - 3,434
STERILIZATION ORDERS - 429 - DOWN - 69
OTHER - 5,462 - DOWN - 73
BALANCE SHEET TOTAL - 31,768 - DOWN - 3,310
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Message Attributes

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Disposition History: n/a
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